

Message Text

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LIMITED OFFICIAL USE TEHRAN 8641

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TAGS: BEXP, IR

SUBJ: IRAN'S ANTI-INFLATION EFFORTS --CANCELLATION OF TURNER
HALSEY CO. TEXTILE ORDER

REFS: (A) STATE 206052; (B) TEHRAN 8447

BEGIN UNCLASSIFIED

1. NEITHER GEORGE NISSAN NOR EDWARD NISSAN, PROPRIETORS OF THE
IRANIAN COMPANY WHICH ACTS AS AGENT FOR TURNEY HALSEY, IS IN IRAN.
UPON GEORGE NISSAN'S RETURN TO TEHRAN WITHIN APPROXIMATELY ONE
WEEK, THE EMBASSY WILL TAKE UP THE MATTER OF THE APPARENT CANCEL-
LATION OF TURNEY HALSEY'S \$100,000 TEXTILE ORDER.

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2. AS REPORTED IN REFTEL B, THE GOI'S ANTI-PROFITEERING
CAMPAIGN HAS EVIDENTLY RESULTED IN THE CANCELLATION OF A NUMBER
OF OVERSEAS ORDERS. AT THE MOMENT IT IS NOT POSSIBLE TO ESTIMATE
THE VALUE OF THESE CANCELLED ORDERS BUT SEVERAL MILLION DOLLARS
IS VERY LIKELY INVOLVED. THE EMBASSY IS NOT AWARE OF ANY FORMAL
LAW WHICH RESTRICTS PROFIT MARGINS TO TEN PERCENT ALTHOUGH IT
IS CLEAR THAT THE GOVERNMENT IS ENDEAVORING TO REDUCE PROFIT
MARGINS BY A SUBSTANTIAL DEGREE. SINCE THE TRANSMISSION OF
REFTEL B THE EMBASSY HAS LEARNED OF A RECENT MEETING BETWEEN
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REPRESENTATIVES OF THE IRANIAN BUSINESS COMMUNITY AND OFFICIALS
OF THE MINISTRY OF COMMERCE, INCLUDING THE MINISTER. THE
GENERAL LINE TAKEN BY THE GOI OFFICIALS AT THIS MEETING WAS THAT
TEN PERCENT WAS A FAIR AND ADEQUATE MARKUP OVER LANDED COST AND

THAT PRICE CONTROL ENFORCEMENT WOULD BE AIMED AT HOLDING THE MARGIN TO TEN PERCENT EXCEPT IN UNUSUAL CASES. THE SPOKESMAN OF THE BUSINESS COMMUNITY, WE UNDERSTAND, REPLIED THAT SUCH PROFIT LIMITATION COULD NOT BE ACCEPTED BY THE COMMUNITY AND THAT OVERSEAS ORDERS WOULD SIMPLY BE CANCELLED EN MASSE AS A CONSEQUENCE. THE MEETING BROKE UP STALEMATED.

3. THE GOVERNMENT'S ANTI-PROFITEERING DRIVE, COUPLED WITH ACCELERATED ENFORCEMENT OF THE 79 PERCENT DIVERTITURE OF SHARES REQUIREMENT, HAS CAUSED MUCH CONFUSION AND UNCERTAINTY IN THE BUSINESS COMMUNITY. MORE IMPORTANTLY, A RIFT HAS OPENED UP BETWEEN THE BUSINESS COMMUNITY AND THE GOVERNMENT. THE EMBASSY EXPECTS TO HAVE FURTHER INFORMATION ON THIS SUBJECT, PARTICULARLY ON THE GOVERNMENT'S VIEWS ON PERMISSIBLE PROFIT MARGINS, WITHIN A FEW DAYS. ANY INFORMATION WILL BE PROMPTLY REPORTED.
HELMS

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